

AMENDED IN SENATE JUNE 14, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 789

Introduced by Assembly Member Mullin

February 22, 2007

An act to add Section 22955.1 to, and to repeal and add Section 22954.1 of, the Education Code, relating to state teachers' retirement, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 789, as amended, Mullin. State teachers' retirement: appropriation.

(1) Under the ~~existing~~ Teachers' Retirement Law, a continuous appropriation equal to 2.5% of creditable compensation, as specified, is made annually from the General Fund for transfer to the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund to fund purchase power protection payments to retired members of the Defined Benefit Program of the State Teachers' Retirement System.

This bill would provide that a certain percentage, as adjusted by the Teachers' Retirement Board, of that creditable compensation shall be credited to the Supplemental Benefit Maintenance Account from the Teachers' Retirement Fund each year for ~~4~~ 3 years commencing July 1, 2008.

(2) Existing law requires the Teachers' Retirement Board, beginning in 2006 and every 4 years thereafter, to report to the Legislature and the Department of Finance regarding the ability of the retirement system to pay purchase power protection payments in each fiscal year until 2036 and appropriates funds, as determined by the actuary and certified by the Director of Finance, as necessary to enable the Teachers'

Retirement System to make those payments, as specified, until June 30, 2036.

This bill would delete this requirement.

(3) Under the Teachers' Retirement Law, on and after July 1, 2003, a continuous appropriation equal to 2.541% of creditable compensation, as specified, is to be made annually from the General Fund to the Teachers' Retirement Fund.

This bill would make an additional continuous appropriation from the General Fund to the Teachers' Retirement Fund on July 1, 2010, and each July 1, until July 1, 2014, in an amount equal to a percentage of creditable compensation for a certain period, as specified. The amount would be adjusted based on the average annual rate of return on investment of funds in the Teachers' Retirement Fund, according to a specified schedule. The bill would provide that if the amount appropriated is reduced pursuant to these provisions, the excess amount would be treated as a credit for other amounts continuously appropriated to the fund, as specified.

(4) The bill would include a statement of legislative intent regarding purchasing power protection for retired educators. The bill would also include a statement of legislative findings regarding the effect of the bill on the actuarial soundness of the Teachers' Retirement Fund.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. It is the intent of the Legislature to restore over
2 time the funding provided under current law, in order to provide
3 purchasing power protection for retired pensioners in the State
4 Teachers' Retirement System, so that the 63,000 retired educators,
5 who are mostly women with an average age of 82 years, can receive
6 the level of purchasing power protection provided for by law.

7 SEC. 2. Section 22954.1 of the Education Code is repealed.

8 SEC. 3. Section 22954.1 is added to the Education Code, to
9 read:

10 22954.1. On July 1, 2008, and each July 1; thereafter to July
11 1, 2011, inclusive, an amount equal to ~~0.6843~~ 0.7467 percent of
12 the total of the creditable compensation of the fiscal year ending
13 in the immediately preceding calendar year upon which members'
14 contributions are based shall be credited to the Supplemental

Benefit Maintenance Account from the Teachers' Retirement Fund.
This rate shall be adjusted by the board to reflect any changes in
the rate of interest credited to accumulated reserves pursuant to
subdivision (b) of Section 22216.

SEC. 4. Section 22955.1 is added to the Education Code, to
read:

22955.1. (a) In addition to the amount appropriated pursuant
to Section 22955, and notwithstanding Section 13340 of the
Government Code, on July 1, 2010, and each July 1; thereafter, to
July 1, 2014, inclusive, a continuous appropriation is hereby made
from the General Fund to the Controller for transfer to the
Teachers' Retirement Fund equal to ~~0.6456~~ *0.7631* percent of the
total of the creditable compensation of the fiscal year ending in
the immediately preceding calendar year upon which members'
contributions are based.

(b) The amount appropriated pursuant to subdivision (a) shall
be adjusted by an amount equal to the percentage of the total of
the creditable compensation of the 2012–13 fiscal year upon which
members' contributions are based set forth opposite the actual
average annual rate of return on the investment of funds in the
Teachers' Retirement Fund from July 1, 2006, to June 30, 2014,
inclusive, as reported by the board on or before September 1, 2014,
to the Director of Finance and the Controller in accordance with
the following schedule:

If the average annual rate of return is:	The percentage is:
Less than 3.5 percent.....	-1.0010 percent
	<i>-1.1831 percent</i>
At least 3.5 but less than 5 percent.....	-0.6999 percent
	<i>-0.8273 percent</i>
At least 5 percent but less than 6.5 percent.....	-0.3672 percent
	<i>-0.4340 percent</i>
At least 6.5 percent but less than 8 percent.....	<i>0.0000 percent</i>
At least 8 percent but less than 9.5 percent.....	0.4047 percent
	<i>0.4783 percent</i>
At least 9.5 percent but less than 11 percent.....	0.8501 percent
	<i>1.0048 percent</i>
Equal to or greater than 11 percent.....	1.3397 percent
	<i>1.5834 percent</i>

1 (c) Any additional amount appropriated pursuant to subdivision
2 (b) shall be transferred to the Teachers' Retirement Fund within
3 five calendar days of the report by the board to the Director of
4 Finance and the Controller. If the amount appropriated pursuant
5 to subdivision (a) is reduced pursuant to subdivision (b), the excess
6 amount transferred to the Teachers' Retirement Fund shall be
7 treated as a credit for the amount appropriated pursuant to Section
8 22955 for transfer to the Teachers' Retirement Fund during the
9 2014–15 fiscal year.

10 (d) The Legislature reserves the right to amend this section to
11 increase the contribution rate prior to July 1, 2014, in order to
12 provide an appropriation that is actuarially equivalent to the
13 appropriation made in subdivisions (a) and (b), as determined by
14 the board in an actuarial analysis requested by the board. Any
15 resulting change in the appropriation shall be in lieu of any
16 appropriation made by this section that has not yet been transferred
17 to the Teachers' Retirement Fund.

18 SEC. 5. The Legislature finds and declares that the actuary
19 retained by the Teachers' Retirement Board has determined that
20 the appropriation to the Teachers' Retirement Fund may be
21 decreased and later increased in the manner prescribed by this act
22 without impairing the actuarial soundness of the fund.